(b) if so, what precise demands were made by the FICCI; and

(c) what is the Government's response thereto ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) and (b) In the theme paper entitled 'Agenda for Dynamic Economic Growth prepared for Annual General Meeting, Federation of Indian Chambers of Commerce and Industry has made several suggestions including inter-alia on reforms relating to the capital market. The major suggestions made are as under :

—Financial sector reforms should aim at restructuring and increased commercialisation o the public sector banks, greater participation of the private sector, reductions in reserve requirements, reform of the direct credit system and more flexible interest rate policy.

—Funds locked up in low yielding CRR and SLR can be released by reduction in CRR and SLR rates over the next couple of years.

—To put the capital market on a firmer foundation, it is essential that SEBI guidelines are implemented and followed in letter and spirit.

— For tax policy, a broad-based tax on final consumption such as value Added Tax levied at single rate should be introduced to ensure neutrality.

—The domestic prices need to be kept below international level for a long period to retain competitive edge in the world market.

—To be suggessful in the global market, it is essential to "pick winners". They should be provided support through access to credit, duty free import of equipment, insurance and transport preferences.

—Transformation has to be radical, on the infrastructural and industrial fronts. Foreign investment flows have to be accelerated.

—Following are areas which were by-passed in reform process :

Agriculture;
Distributive trade; and
Education

These have to be brought into the ambit of reform package.

—Adjustments to the tax structure need to be made in a manner that facilitate export performance.

—Fiscal adjustments must continue at all levels of the public sector, primarily through structural expenditure reform instruments and through the adoption of policies which promote an orderly adjustment of public enterprises.

(c) The suggestions made by FICCI, other Association and individuals are kept in view while formulating Government economic policies.

ACCESS OF PUBLIC SECTOR BANKS TO CAPITAL MARKET

2617. SHRI RAJNI RANJAN SAHU : Will the Minister of FINANCE be pleased to state :

(a) whether Government propose to dilute Government's holding in Public Sector banks for giving them greater access to capital market; and

(b) if so, what are the details thereof indicating the contemplated revised structure of these banks ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) and (b) Nationalised Banks which are in a position to do so, will be allowed to access the capital market to raise

fresh equity for the purpose of achieving prescribed capital norms to facilitate such access to the capital market, Government propose to amend the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970 and 1980. The relevant amendments are receiving Government's attention. Government will however, continue to retain majority shareholding in the equity of the nationalised banks.

IMPLICATION FOR THE DEBT SERVICE PAYMENT

2618. DR. NAUNIHAL SINGH : Will the Minister of FINANCE be pleased to state : (a) whether it is a fact that there has been a marked shift in the composition of the country's external liabilities since the 1980's with the official sector accounting for less and less of them, and the non-official sector steadily increasing its segment; if so, the reasons therefor;

(b) whether this shift is likely to have an adverse implication for the debt service payments in future; if so, the reasons therefor; and

(c) what steps Government have taken to contain this shift to avoid any adverse implications on the debt service payments in future ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) Yes, Sir, The share of external debt on Government Account out of total external liability (excluding defence and NRI Deposits) of the country has declined from 73 percent in 1980-81 to 63 per cent in 1992-93.

(b) and (c). External debt on Government Account is received on highly concessional terms i.e. on nominal rate of interest and longer maturity period for repayment whereas debt on other accounts is being received on non-concessional terms i.e. higher rate of interest and shorter maturity period for repayment. Government is however, conscious about the country's external debt liability and keeps a constant watch on the level of country's indebtedness and likely burden of debt servicing. Government has taken a number of steps to bring about improvements in revenue receipts, to eliminate inessential and low priority expenditure, to boost exports, to increase invisible earnings, to ensure efficient import substitution, to increase non-debt creating inflow of foreign funds, and to reduce dependence on borrowed funds for financing expenditure. These steps would improve, in long term, the economic condition of the country and revitalise our growth process, including our export earning capacity, so as to enhance our capacity in generate sufficient funds needed for the economy to repay the loans and thus reduce dependence on borrowed funds.

LONG TERM PLANS FOR CAPITAL MARKET

2619. SHRI RAJUBHAI A PARMAR : Will the Minister of FINANCE be pleased to state :

(a) whether the Punjab, Haryana and Delhi Chamber of commerce and Industry has mooted a mechanism to be introduced in the Capital market to enforce post issue Governance to ensure long term health of the capital market;

(b) if so, what are the details in this regard; and

(c) Government's decision thereon ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) and (b) : The PHD Chamber of Commerce and Industry has made a suggestion to the Securities & Exchange Board of India (SEBI) that promoters who fail to fulfil their commitments with regard to implementation of projects for reasons other than those arising from "force majeure" conditions should be debarred from raising any further funds till they have implemented the project.